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IN THIS ISSUE:

Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block at the Aquaculture/WDC/83 Convention, Washington, D.C., Jan. 10.

I want to thank you for inviting me here today, and for giving me a chance to talk with you for awhile about your industry.

I'll have to admit, when I first came to the Department of Agriculture, I had to do a bit of homework to learn about quite a few different commodities. This Illinois farmer just wasn't that familiar with crops such as cotton, rice, tobacco, walnuts—just to name a few. And being a corn, soybean and hog farmer, my closest association with aquaculture was a lazy afternoon with a fishing pole along the Spoon River.

But I'll have to admit, one of the more exciting aspects of this work comes form learning more about the hundreds of commodities produced across the country. And the more I learn, the more I realize we have much more in common than one might suspect.

Our crops may be grown differently, production figures are different, our commodities are marketed differently—but the goals of agriculture are still the same. Whether we grow on the land or in the water, we can all refer to ourselves as something I've been proud to call myself for a lifetime—an American farmer.

Well—some of our American farmers have gone through some rough times lately. You've probably heard about some of the innovative efforts we're taking as we attempt to bring supply and demand back into line. I know you can appreciate these problems, especially those of you who raise trout and catfish. You've had your share of trouble with huge inventories, but I'm glad to see that you are pulling out of it now.

I'd like to spend a little time today talking with you about the government's involvement in aquaculture, and how things are progressing. Right now, I suppose you might say the government is playing a little catch-up ball in your area. And I think you'll agree that it probably should have happened years ago.

You, in the industry itself, should be congratulated for your role in convincing government that aquaculture is real. . .that it's an important industry which deserves more attention. It's a growing industry—you doubled your production between 1975 and 1981, and it's expected to at least double again during the '80s.

Increases like this command attention. But let me tell you something else that has turned a lot of eyes toward your industry. I'm talking about your ability to assess you own situation. . .and your willingness to do something about it. In the trout and catfish area, I believe one of your main thrusts came when you implemented a checkoff program for market promotion and development. Nor can we ignore the agreement between USDA's Foreign Agricultural Service and the catfish industry to help in the promotion of exports. The cooperative relationship between government and the industry will hopefully provide dividends as we work to build access in the Western European market.

I know we'd be happier if we could narrow that trade deficit in fish and shellfish. It was $18 billion between 1971 and '80. . .$2.6 billion into 1972. . .and I'm afraid it's not headed in the right direction yet.

On the brighter side, per capita consumption of fish and shellfish in the U.S. is headed in the right direction—up some 33 percent between 1960 and '80.

As I said, I believe we've seen some noticeable improvement in the government's attitude toward aquaculture—especially within the past three of four years. We have at least 12 Federal agencies with active aquaculture programs. And in the USDA, we're spending about $6.5 million annually in areas related to your industry. This, of course, excludes financing and purchases of commodities for nutrition programs.

In total, the Department of Agriculture, Commerce and Interior spend $19 million annually for aquaculture activities, excluding the nutrition and financing programs.

Another important government action involves handling of Farmers Home Administration loans in regard to aquaculture. We've gotten away from the hit and miss approach we've seen in the past. Now there's a standard procedure for handling the loans nationwide. In other areas, we have become involved in helping your industry develop

its marketing capabilites. . .we've more than doubled our research budget. . .we have an active Extension and technical assistance effort assisting the industry. . .we're taking a serious look at crop insurance possibilities and in the near future we expect to convene an Agriculture Advisory Board with strong industry participation.

Of course, as the federal government becomes more involved in assisting the industry with programs and services, the need also increases for better coordination and communication. The National Aquaculture Act of 1980 has been considered landmark legislation which provides for a National Aquaculture Plan. . .and it also authorizes the use of $70 million to implement the plan over a three-year period.

Right now, this National Aquaculture Plan is in final draft stage, but I can say that it will have three basic thrusts when completed.

The first thrust involves science—using our research capabilities to help solve some of the industry's problems.

The second thrust comes in education—enhancing our abilities to transfer and communicate technical information which will benefit the industry.

The third thrust is in the area of economics—looking at problems that range from financing to regulatory barriers.

What all of this tells me. . .and I hope you can see it, too. . .is that as we approach the future, you're going to see a government that is more receptive to your industry. The federal government will be increasingly supportive of your efforts, and it will approach your industry with a greater amount of enthusiasm.

The reasons for this is simple. You are a growing industry; you're on the move. Already you have developed a billion-dollar business, and all signs say you'll get stronger. And the strength of aquaculture will be more jobs and rural development. . .it will contribute to farm income stability. . . and it will promote the wise use of resources. These are all keys that point to success in agriculture.

I believe that your industry—given the support of research, education and proper planning—will see a bright future in the years ahead. I commend you for the work that you are doing already as you

meet your challenges and move toward your goals. Keep up the good work. . .and again, thank you for inviting me here today.

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Remarks prepared for delivery by Secretary of Agriculture John R. Block before the National Council of Farmer Cooperatives, Honolulu, Hawaii, Jan. 12.

First, I want to thank you for inviting me to be here with you today. And secondly, let me point out that you could not have chosen a better time to be holding your annual meeting. You just happen to be meeting on the threshold of an exciting new era for American agriculture, the beginning of a recovery period. And for all practical purposes, it was effectively launched yesterday by President Reagan.

I'm certain that by now, most of you are aware of the president's remarks yesterday in Dallas. I only wish that all of you could have heard the entire presentation. He had a tremendous message for American farmers, and for everyone who is concerned about agriculture.

I can tell you this: He left no doubt where he stands. He is firmly behind the farmers of this nation. He understands the problems, and he's willing to roll up his sleeves and take innovative action in working toward a solution. The president is fully aware agriculture does not exist in a vacuum. He knows that a strong agricultural system is vital to a prosperous national economy. He also knows that we cannot continue to suffer the tremendous losses that many of you have had to deal with during this current recession.

The president covered quite a few areas during his talk in Dallas. But I would have to say that the greatest thrust of his message—the words that many have been hoping to hear—came when he announced we will be using existing authority to begin our payment-in-kind program.

The basic concept of this program was introduced late last year. Simply stated, participating farmers who reduce their acreage another 10 to 30 percent more than what is called for in the existing acreage

reduction programs will receive, in payment, a certain amount of the commodity they would have produced on that extra reduction. The commodities used for these payments will come from the farmer-owned reserve, regular loan or from our CCC-owned stocks.

This program—PIK is what we're calling it—has been under active consideration for several months, but the announcement of any concrete plan was delayed when the lame-duck Congress failed to clarify some issues concerning our legal authority to operate such a program. But the president has now given us permission to proceed on our existing authority, and I am prepared to implement it.

As I said, we have all known about the basic concept but the big question has been. Just how much of each commodity will be offered per acre? Well, now we have those figures, so let me quickly run through them. We'll be offering 95 percent for wheat, and 80 percent for corn, grain sorghum, cotton and rice.

There are, of course, other details of the PIK program, and you'll be learning more about those very quickly. For example, many of you probably know that a farmer will also be able to bid on receiving an in-kind payment for diverting his entire acreage. His bid will simply specify the percent of yield he will accept in return for diverting all of his base acreage. Our acceptance of whole base bids will depend on the amount of acreage reduced under the 10-30 percent PIK, the supply-demand situation for each commodity, conditions in local areas and other relevant factors. Keep in mind, however, that we will not allow more than 50 percent of the base acreage to be taken out of any given county.

The reason for setting this limit is obvious. Anytime a farmer reduces his planted acreage, it causes a hardship on the businesses which service the farmer—and many of those businesses are represented here today. We realize that the PIK program is going to force a belt tightening in many areas, and that comes on top of some tremendous losses many of you have already endured.

Let me take a few minutes to elaborate on that point. Recently, we've seen a lot of attention focused on the plight of the American farmer. We've seen it in magazines, newspapers and on the morning and evening news. But what has not received a great amount of media attention is the great hardship faced by many other people in

agriculture—people like yourselves—people who are equally responsible in making it possible for Americans to enjoy an abundance of food and fiber. Ironically, at times, some of you have even been wrongly criticized.

Just one example would have to be the Farm Credit System. I have met with you many times. I've worked with you. And I know the dedication that you have in keeping farmers in business during this period of adjustment. But when I pick up the paper, or turn on the news, I can't find anything about how the Farm Credit System has stayed with and helped deserving farmers, how you and other private lenders provide 88 percent of all farm financing. It seems that the only time it makes news is when you can't stay with someone any longer. This is an injustice to you, and to all that you have done to keep the valley from deepening. The Farm Credit System, in its current structure, is essential to the agricultural economy, and it will remain that way under this administration.

Another way in which many of your cooperatives have helped agriculture—and the consumer as well—is by operating an efficient marketing order system to assure the nation of an orderly flow of fresh and quality foods. These marketing orders are an important part of our system, and I assure you that they will continue to be viewed with favor. I have met with Vice President Bush, and he agrees that marketing orders serve a useful purpose and must be protected.

I want to personally thank all of you here today for the support and help which you have given to agriculture, and for doing it without the recognition that you rightfully deserve. I realize that the stocks adjustment we face through PIK will not be easy for many of you. But I also believe we all realize the far greater consequences we will have to face if something dramatic is not done immediately to remedy the situation.

I'm not going to spend a lot of time today reviewing the history of our situation. We'd have to go back to the early 1970s and the tight world food situation that triggered a decade of expansion. But for the sake of time, I'd much rather talk about the future and where we're headed. Besides, we all know how the problem evolved. Acreage expansion in the '70s, easy credit, heavy capital investment, then the

embargo, the rising value of the dollar and widespread recession throughout the world.

The bottom line is that exports dropped for the first time in 13 years during the fiscal year ending last September. And by the end of the 1982/83 crop year, we will have more than 150 million tons of grain in our ending stocks. That would be three times what we had two years ago, and it will represent 60 percent of the world's total grain stocks.

A lot of ideas have emerged about how we can solve the problem. But, in the final analysis, it all boils down to the simple fact that we aren't going to see long-term improvement in prices until we reduce the size of these stocks. The truth is, we cannot afford to produce in '83 like we have done the past two years. Farmers have passed the stage where they can gamble that prices will improve without a significant cut in production. The stakes are simply too high.

I was pleased with the support and enthusiasm for the PIK program, right from the time that we introduced the concept. In fact, I don't recall ever seeing a plan receive such broad support. And here's some of the reasons why I believe it has caught the imagination of so many people.

First, production can be reduced beyond what is expected under the 1983 programs for wheat, corn, grain sorghum, rice and upland cotton. That will help bring supply back into closer balance with demand. Also, stocks can be reduced at the same time, lessening the overhang on the market at harvest next year. It will also enhance the prospects for a market-led recovery in farm prices and incomes in future years.

Using the PIK approach, the availability of market supplies will be maintained. It's important to let exporters and importers know that the United States fully intends to remain a reliable and consistent supplier. We aren't going to do anything that will hurt the markets that you have worked so hard to get.

There's one other feature about PIK that I want to emphasize. This program, unlike other emergency measures, is self-terminating when excessive stocks have been worked off.

This is important. PIK has been described as a dramatic and innovative approach to rejuvenating U.S. agriculture—but it's not a program that will become a permanent fixture within government farm policy. If there are any doubts about where I want to see government

programs heading—then, let me make my feelings crystal clear right now.

The final solution is to have a strong, market-oriented agricultural policy with minimum government intervention. I believe that PIK will steer us in that direction.

And here's another point that I want to stress. While PIK will certainly help agriculture turn the corner, we're not going to pretend that it's going to be a sharp turn towards immediate prosperity. PIK is going to be an important part of the solution, but it's not a magic wand.

We don't have any magic wands in agriculture. But what we do have—what we have always had—is a cooperative spirit in this industry. It's a spirit that has to emerge with enough force to make recovery happen.

It's going to take cooperation among the farmers to make PIK work. It's going to take the continued good work and support that the Farm Credit System has given to agriculture. And it's going to take an even more aggressive stance by all of us in the world market.

Let's not forget—PIK is only designed to achieve a stock and supply adjustment to current demand conditions. It's not designed to enhance demand for our commodities. An aggressive attitude toward world trade is essential in building a demand for our products.

President Reagan realizes the importance of going after those export markets. That's why he announced yesterday in Dallas that he is making additional money available for the blended credit program which worked so well last year. By blending interest-free direct credits with government-guaranteed private credits, we're able to produce lower interest rates for our foreign customers. And the significant factor is that we're bringing in trading business that we would not otherwise have had.

Another area in which the government is working involves unfair trade practices, such as in the European Community. And we're working to gain greater access to the markets which we deserve, such as in Japan. President Reagan made his position very clear yesterday. He said we expect fair access to international agricultural markets. We will not succumb to protectionist measures, but at the same time we aren't going to allow ourselves to be plowed under.

Let me tell you—the president is very serious about this. And his concerns have been expressed this week in Washington as this administration talks with representatives of the European Community. And next week, we'll be discussing agricultural exports, particularly beef and citrus, when we meet with Prime Minister Nakasone of Japan.

Keep in mind—there is only so much that government can, or should do in enhancing trade. The greatest effort has to come from the private sector, because that's where the order books are carried.

I know, from my own personal experience with cooperatives, that you represent one of the most important self-help vehicles for improving our farm economy. Your aggressive work in pushing exports have been very impressive. Already eight percent of our nation's agricultural grain exports flow through cooperative export channels.

But, this eight percent is only a beginning. It can be much more than that as many of you take advantage of the new incentives to get involved in export trading. I strongly encourage you to pursue this course, to become even more aggressive in pushing exports through export trading companies.

I think the cooperative flame in America has been rekindled, and let me tell you—I'm excited about it. Just look at the tools we now have. We have the PIK program to help reduce our stocks on the supply side. We have an aggressive export program to create business on the demand side. We have an administration that is solidly behind us. And we have people like yourselves who have always had the genius to make the system work. I just don't see how we can fail.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA ISSUES DECEMBER SIGNUP REPORT FOR 1983 CROPS

WASHINGTON, Jan. 7—During the current signup for the 1983 farm programs, farmers so far have enrolled 1.5 million base acres under the upland cotton program, 21.4 million under the feed grain program and 24.4 million under the wheat program, according to figures released today by the U.S. Department of Agriculture.

Everett Rank, administrator of USDA's Agricultural Stabilization and Conservation Service, said the signup is required before farmers are eligible for program benefits such as commodity loans, target price protection, land diversion payments and the grain reserve.

At the time they sign up, producers may request an advance of 50 percent of their projected deficiency payments and 50 percent of their land diversion payments.

Enrolled base acreage on which advance deficiency payments have been requested, to date, totals 1.1 million acres under the upland cotton program, 14.9 million under the feed grain program and 18.3 million under the wheat program.

Enrolled base acreage on which advance diversion payments have been requested totals 15.9 million acres under the feed grain program and 18.6 million under the wheat program. Cotton intended diverted acreage on which advance diversion payments have been requested totals 39,890 acres.

Farmers who sign up to participate in the upland cotton, feed grain and wheat programs agree to reduce their base acreage of these commodities by at least 20 percent. The acreage taken out of production will be devoted to a conservation use, Rank said.

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USDA ISSUES REVISED P.L. 480 COUNTRY, COMMODITY ALLOCATIONS FOR FY 1983

WASHINGTON, Jan. 7—The U.S. Department of Agriculture today released its revised allocations of food assistance, by country and commodity, for fiscal 1983 under Titles I and III of Public Law 480, the Food for Peace Program.

Under Secretary of Agriculture Seeley G. Lodwick said the revised plans provide for the distribution of $783.2 million in planned commodity shipments. Of this amount, $696.2 million has been allocated and $87.0 million is being held in an unallocated reserve, he said.

Lodwick said no country dollar allocations have been changed since the initial allocation table was released last October. However, the commodity composition of some country allocations has been adjusted to reflect agreements signed to date or negotiations presently planned or underway. Lodwick said through the end of the first quarter of the fiscal year Titles I and III agreements have been signed with 12 countries, providing for $391.1 million of commodity export financing. This represents the largest percentage signed in the first quarter in the last decade.

He also said the revised allocations meet the legal requirement that not less than 75 percent of food aid commodities be allocated to friendly countries that meet the International Development Association poverty criterion. Seventy-nine percent of Titles I and III food commodities is presently allocated to countries meeting the criterion.

Among other factors, Lodwick said, the program takes into account variations in commodity and budget availabilities in the United States and in participating countries; changing economic and foreign policy situations; potential for market development; fluctuations in commodity prices; availability of handling, storage and distribution facilities, and possible disincentives to local production.

Except for agreements already signed, the country and commodity allocations announced do not represent final U.S. government commitments. Each program must still be reviewed and approved prior to negotiations with individual recipient countries before final U.S. government agreements are signed, Lodwick said.

Title I of P.L. 480 is a concessional sales program designed to promote exports of agricultural commodities from the United States and to foster economic development in recipient countries. The program provides loans of up to 40 years, with a 10-year grace period at low interest rates.

Title III provides for the forgiveness of the debt incurred under Title I, based on accomplishments in food for development programs and projects agreed upon by the United States and recipient countries.

Additional technical information on the P.L. 480 program is available from Fred Blott of USDA's Foreign Agricultural Service, (202) 382-9247.

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BLOCK ANNOUNCES CCC PAYMENT-IN-KIND PROGRAM DETAILS

DALLAS, Jan. 11—Secretary of Agriculture John R. Block today announced details of a payment-in-kind—PIK—program for the 1983 crops of wheat, corn, grain sorghum, cotton and rice. President Ronald Reagan announced the program at the American Farm Bureau Federation meeting today.

"PIK is basically simple," Block said. "Farmers who take out of production additional acres over what they agree to take out under the current program will receive as payment a certain amount of the commodity they would have grown on these acres. The commodity is theirs to do with as they wish. Commodities for the PIK program will come from farmer-owned reserve, regular loan or CCC-owned stocks.

"We have a three-fold objective with PIK," Block said. "Reduce production, reduce surplus stock holdings, and avoid increased budget outlays that would otherwise be necessary under price support programs. Block said worldwide demand is weak, due to severe financial problems of major foreign customers and a strong dollar making our exports more expensive. "It is unlikely our surplus will be substantially reduced any time soon by increased exports," he said. "PIK is aimed at bringing supply more in line with demand.

"Farmers can expect to receive the same or greater net returns while the stock adjustments are occurring. Commodity prices may not increase significantly in the near term, though they should firm as storage payments permit greater marketing flexibility and buyers realize that stocks are being reduced.

"Once stocks are reduced significantly through the PIK program, then substantial opportunities for price increases will exist. Farmers taking part in PIK will also avoid some variable costs, and their production risks will also be lowered. In addition, financially strapped farmers participating in the PIK program will not have to borrow as much for production expenses."

Block said PIK has built-in safeguards to assure that there will be enough production so the U.S. will remain a reliable supplier to domestic and foreign customers. The program is self-terminating; it is planned for 1983 and, if necessary, the 1984 crops. "When excess supplies are reduced to a level we feel is more in line with demand, PIK will go out of existence," Block said. "Also, sound conservation practices will be applied to more acreage and storage space problems will be lessened."

Signup for PIK will begin Jan. 24 and run through March 11.

"Farmers have four possible options for making their 1983 plans," Block said. "They may participate only in the regular farm programs; participate in the regular program plus the 10 to 30 percent PIK; withdraw the entire base acreage if their whole base bid is accepted; or not participate at all."

Farmers wishing to take their entire base acreage out of production may bid to do so by specifying the percent of the farm yield they will accept in return for diverting all of their acreage. They may bid any amount but it must be no more than the offer rate for the 10 to 30 percent PIK.

The number of whole base bids accepted will depend on the level of signup for the 10 to 30 percent PIK, the supply-demand situation for each commodity, conditions in local areas, and other relevant factors. However, in no case would the amount diverted exceed 50 percent of the total base in the county. The Commodity Credit Corporation reserves the right to reject any or all bids.

Block said conservation use acreage eligibility requirements would be the same as previously announced 1983 programs, except haying and grazing will be permitted only on winter wheat planted prior to the announcement of PIK. Under summer fallow rules, PIK acreage will have to be acreage that would have been planted in 1983.

When farmers sign up for PIK, they will contract to receive a certain amount of bushels or pounds of the commodity they would have produced on PIK acres, Block said. This will be an announced percentage times the farm program yield times the number of PIK acres. The percentages are 95 for wheat, and 80 for corn, grain sorghum, cotton and rice.

Payment-in-kind will be in terms of #1 wheat, #2 yellow corn, #2 grain sorghum, historical area average quality upland cotton, and for rice, the historical area average of the type, quality and milling outturns.

Block said producers will receive their payments-in-kind from CCC stocks. Quantity adjustments will be made to account for variations in the quality of commodities. Producers entering PIK with outstanding reserve or regular price support loans must make the commodities under loan available to CCC for use in the program in return for liquidation of their loans. They cannot forfeit or redeem their commodities under loan and then draw additional commodities from CCC stocks. Loans which mature before producers receive their payment-in-kind will be extended and storage will be paid by CCC from maturity until receipt of the payment-in-kind.

Program participants will receive payments-in-kind during the normal harvest period. Dates will be announced for different areas. To give the producer marketing flexibility, the CCC will pay storage costs from the date of payment-in-kind to redemption or delivery of the commodity not to exceed five months. The annual storage rate will be 26-1/2 cents per bushel for wheat, corn and sorghum, and 85 cents per hundredweight for rice. The storage rate for cotton will be the approved rate charged by the warehouse where the cotton is stored.

Producers redeeming farm-stored grain from the reserve will be compensated for an additional seven months storage from the redemption date, less any unearned storage. To ensure adequate grain

where requested, CCC will trade grain receipts with elevators, if necessary. Quality adjustment will be made.

Block said there was no specific priority for redemption for the grains. Stocks may come from the farmer-owned reserve, or any year's outstanding loans. However, for upland cotton, participants will be required to liquidate their oldest crop loans first.

Any grain going into the farmer-owned reserve after Jan. 11 will not be used in the PIK program, unless the loan request has already been filed. Eligibility for all 1982 reserve loans will continue until March 31 for small grains and May 31 for feed grains.

Block also announced the provisions for the 1983 reserve program. Entry into the 1983 reserve will be allowed after a 9-month regular loan period. Entry level for all commodities will be at the regular loan rate. Storage payments of 26-1/2 cents per bushel will be allowed for wheat, corn, sorghum and barley, with 20 cents for oats.

The Federal Crop Insurance Corporation will increase the yield guarantees of insured producers participating in PIK. Participating at the additional 10 percent but less than 20 percent level increases the yield guarantee by percent; participating between 20 percent but less than 30 percent will result in a guarantee increase of 8 percent; and participating at the maximum of 30 percent will increase the yield guarantee by 10 percent. FCIC is offering these higher guarantees without a corresponding rise in premium rates because risk of loss is reduced.

Farmers will be able to get full details on the PIK program from their local Agricultural Stabilization and Conservation Service office by the time the PIK signup begins on Jan. 24. Meanwhile, farmers can call a toll-free number, (800) 368-5942, to get answers to their questions. This number will open for calls weekdays from 8 a.m. until 8 p.m., EST, beginning Jan. 12.

Interim regulations will be published in the Federal Register with a request for comments. Producers entering into an agreement during the comment period will be given the opportunity to withdraw from the agreement should there be material changes in the final regulations. Comments must be received by Feb. 11 and should be sent to. Howard Williams, director, analysis division, USDA, ASCS, Room 3741-South

Building, P.O. Box 2415, Washington, D.C. 20013. Phone: (202) 447-3391.

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PAYMENT-IN-KIND FACT SHEET

In the past two years, U.S. and world grain production has reached record levels. Weather also contributed to a sharp jump in world production of oilseeds in 1982, and large cotton crops in foreign countries. At the same time, the sources of strength in the demand for U.S. agricultural products have been eroded by a variety of factors: weak economic conditions in the U.S. and throughout the rest of the world, financial instability in a number of countries, the strong U.S. dollar, losses related to the Soviet embargo, continued East-West tensions, unfair trade practices by some of our export competitors, and restrictive market actions by some foreign buyers.

Rising world production in the face of weakened demand has led to a sharp accumulation in world stocks. By the end of 1982/83, world grain stocks will likely reach a record 260 million metric tons, nearly double the level of two years ago. This would be equal to two months' supply of grain, the highest global stocks-to-use ratio in more than a decade—and nearly 60 percent of the stocks are in the U.S.

U.S. stocks of nearly all major commodities have increased dramatically. By the end of the current 1982/83 crop year, compared with two years earlier, our ending stocks of rice and feed grains will have tripled. The farmer-owned reserve for corn will have increased twelve-fold, approaching 2.5 billion bushels. The wheat reserve will have more than doubled and reached nearly 1 billion bushels. Cotton stocks will be nearly three times larger than two years before.

PIK Program And Impacts

The PIK program is a land diversion program designed to bring supplies more in in line with demand. The Government offers farmers an amount of commodity for reducing acreage by a larger amount than called for under previously announced programs.

Total harvested acreage for the five crops is expected to be reduced by 23 million acres relative to the previously announced program. Total wheat, corn and sorghum production will be reduced by over 1 billion bushels (10 percent) with cotton production reduced by 2.5 million bales (20 percent) and rice production by 21 million hundredweight (15 percent).

Total ending stocks of wheat, corn and sorghum for 1983/84 are expected to be reduced by over 1 billion bushels from levels expected under the previously announced 1983/84 programs and around 600 million bushels below 1982/83 levels. Upland cotton stocks will be reduced by 2.7 million bales relative to earlier expectations for 1983/84 with rice stocks dropping by about 20 million hundredweight. The PIK program is self-terminating when excessive stocks are reduced.

Although production will be reduced, total supplies of grains and cotton will be ample to meet both foreign and domestic needs and ensure our role as a reliable supplier

Sound conservation practices would be applied to 23 million acres more land than under previously announced 1983 programs.

Farmers can expect to receive the same or greater net returns while the stock adjustments are occurring. Commodity prices may not increase significantly in the near term, though they should firm as storage payments permit greater marketing flexibility and buyers realize that stocks are being reduced. Once stocks are reduced significantly through the PIK program, then substantial opportunities for price increases will exist.

The impact of the PIK program on input industries will be largely due to net returns to farmers and changes in crop acreages. Reduced acreages will likely reduce total input use slightly in 1983 but improved returns in 1983-84 will tend to increase input use. Expenditures for major farm inputs may decline only about 3-4 percent relative to estimates before the PIK program.

Commodity Credit Corporation (CCC) outlays, which totaled around $12 billion in FY 1982, are expected to be reduced by over $3 billion during FY 1983-84 relative to previously announced programs.

Impact of Payment-in-Kind Program

			1983/84		
		1982/83	Current	Current Program	Impact of PIK
		1982/83	Program	& PIK	Program
Wheat					
Acreage harvested	mil. acres	78.8	75.5	65.6	-9.9
Production	mil. bu.	2,809	2,645	2,380	-265
Ending Stocks	mil. bu.	1,509	1,771	1,506	-265
FOR *	mil. bu.	975	1,310	765	-545
Corn					
Acreage harvested	mil. acres	72.8	69.0	60.0	-9.0
Production	mil. bu.	8,330	7,659	6,876	-783
Ending Stocks	mil. bu.	3,497	3,647	2,884	-763
FOR *	mil. bu.	2,300	2,515	1,940	-575
Grain Sorghum					
Acreage harvested	mil. acres	13.8	12.4	11.2	-1.2
Production	mil. bu.	826	750	685	-65
Ending Stocks	mil. bu.	447	526	476	-50
FOR *	mil.bu.	375	450	355	-95
Upland Cotton					
Acreage harvested	mil. acres	9.4	11.4	8.7	-2.7
Production	mil. bales	12.0	12.5	10.0	-2.5
Ending Stocks	mil. bales	7.9	8.6	5.9	-2.7
Rice					
Acreage harvested	mil. acres	3.252	3.180	2.680	-0.5
Production	mil. cwt.	154.2	152.6	132.0	-20.6
Ending Stocks	mil. cwt.	62.2	70.7	51.2	-19.5

* Farmer-owned reserve.

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$1.25 BILLION IN NEW BLENDED EXPORT CREDIT ANNOUNCED

DALLAS, Jan. 11—Secretary of Agriculture John R. Block said the export credit program announced here today by President Reagan will provide at least an additional $1.25 billion in blended credit beyond the $500 million authorized in late 1982.

Block said the Commodity Credit Corporation would make available an additional $250 million in direct interest-free export credit under the GSM-5 program. This will be blended with at least $1 billion in CCC export credit guarantees to produce interest rates below commercial levels. The CCC guarantees private credit at commercial rates under the GSM-102 program.

"We were very pleased with the success in the $500 million blended credit offer made last year," Block said. "We expect this new offer to be just as successful in providing exports that we would not have otherwise realized. The president's announcement will give an added thrust to our goal of relieving the downward pressure on U.S. farm prices caused by excessive supplies."

Block said the new export credits will be offered principally to developing countries, with terms up to three years.

The earlier blended credit program, announced last Oct. 20, allocated $100 million in government credit to be blended with $400 million in credit guarantees in fiscal year 1983. Within a month, use of the total $500 million had been applied for by foreign customers. This cleared the way for the sale by private U.S. exporters of more than two million tons of wheat and significant amounts of corn, vegetable oil, soybean meal and cotton.

The result was $500 million in additional U.S. export sales for an outlay of government funds of $100 million, which ultimately will be repaid.

Block said that we must concentrate on both fronts—increased demand and reduced supply—to move farm prices up. While our commodity programs to reduce supplies are essential, it is just as important to pursue programs to expand agricultural exports.

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PROPOSED CHANGES IN POTATO RESEARCH, PROMOTION PLAN FAIL TO GAIN SUPPORT

WASHINGTON, Jan. 7—Only 47.5 percent of the 2,054 potato producers voting in a recent U.S. Department of Agriculture referendum supported proposed changes in the potato research and promotion plan, a USDA official said today.

The amendment would have increased the maximum assessment rate and added a public member to the Potato Board. The votes totaled 976 "for" and 1,078 "against."

Charles Brader, an official with USDA's Agricultural Marketing Service, said the ammendment, to become effective, required the approval of at least two-thirds of the voting growers, either by number or by volume of production they account for.

The potato research and promotion plan, authorized by Congress in the Potato Research and Promotion Act, is financed by an assessment on potatoes handled. The proposal would have authorized an increase in the maximum rate of assessment from one cent per hundredweight to one-half of one percent of the past 10-year average price received by growers, as reported by USDA.

Brader said the research and promotion program will continue to be financed by an assessment of one cent for each hundredweight of potatoes for food and seed.

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USDA SEEKS VIEWS ON NAVEL AND VALENCIA ORANGE MARKETING ORDERS

WASHINGTON, Jan. 7—U.S. Department of Agriculture marketing officials are inviting orange growers, handlers and the public to offer views on a proposal to amend the federal marketing orders covering navel and valencia oranges grown in California and Arizona.

Anyone may suggest changes in the proposal, which was submitted to USDA by the two marketing order administrative committees, said Charles Brader, director of the fruit and vegetable division of USDA's Agricultural Marketing Service. Anyone may also submit other proposals, Brader said.

"USDA may eventually hold a public hearing on proposed amendments to both orders," Brader said, "and following that, we would issue a recommended decision and give anyone interested a chance to submit comments and exceptions."

To become effective, the amendments would have to be approved in a referendum involving the affected growers of each marketing order.

Major changes affecting both marketing orders, as suggested by the navel and valencia orange administrative committees, would:

— Define a cooperative marketing organization for purposes of committee representation;

— Limit the number of terms that a member of an administrative committee may serve and authorize increased compensation for committee members;

— Redefine the non-industry member of each committee as a "public member," and provide for an additional alternate for each handler member on the committees;

— Modify the requirements of each committee's annual report;

— Permit each committee to charge interest or penalty fees when handlers are late in paying the assessments that are used to finance operations of each marketing order;

— Revise procedures that handlers follow in applying for shipping allotments, otherwise known as "prorate bases;"

— Require a specific period for handlers to retain records of shipments, and spell out steps that will be taken in the event shipments are not reported to the appropriate marketing order committee; and

— Provide for a periodic referendum to determine whether growers want to continue the marketing order regulating the handling of their oranges.

Comments should be sent by Jan. 24 to William J. Doyle, Fruit and Vegetable Division, AMS, USDA, Rm. 2532-S., Washington, D.C. 20250. Sections of the marketing orders to which other suggested amendments relate should be referenced in any comments submitted.

Copies of the specific proposal made by the two committees—or other suggested changes and comments submitted—may be obtained from Doyle's office. Phone: (202) 447-5975. The committee's proposal also is available from Roland G. Harris, Marketing Field Office, AMS,

USDA, 845 S. Figueroa St., Suite 540, Los Angeles, Calif. 90017; phone (213) 688-3190.

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AHALT NAMED ACTING DEPUTY UNDER SECRETARY

WASHINGTON, Jan. 10—Secretary of Agriculture John R. Block today appointed J. Dawson Ahalt as an acting deputy under secretary for international affairs and commodity programs, effective immediately.

Ahalt, who most recently served as deputy assistant secretary for economics, will be responible for providing policy direction on commodity programs while Deputy Under Secretary Alan Tracy continues to concentrate on international affairs.

"These two areas are very important to the future of agriculture, especially in bringing supply and demand back into line," Block said. "Special attention has to be given to commodity programs as we continue to be aggressive in formulating our current commodity programs, and he will bring added experience and expertise in carrying them out."

Block said Ahalt will return to his previous position after the office of the under secretary of agriculture for international affairs and commodity programs is more fully staffed.

Ahalt, an agricultural economist, has worked in the USDA and other government posts for over 20 years, serving in positions which have included chairman of the World Agricultural Outlook Board and as a senior staff economist.

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TRANS WORLD AIRLINES CHARGED WITH VIOLATING ANIMAL WELFARE ACT

WASHINGTON, Jan. 11—Trans World Airlines, Inc., of New York, N.Y., has been charged by U.S. Department of Agriculture officials

with violating federal animal transportation standards under the Animal Welfare Act.

According to Dr. Richard Rissler, a veterinarian directing field animal care actitivies for USDA's Animal and Plant Health Inspection Service, the airline was cited in connection with a shipment of four dogs from St. Louis, Mo., to Saugus, Mass., on April 28, 1982. Rissler said the shipping crates accepted by the airline were too small for these dogs.

TWA officials have 20 days to respond to the USDA charge and can request a hearing before an administrative law judge. Failure to respond constitutes admission of the charge. USDA is seeking civil penalties and an order from a federal administrative law judge to the airline to cease and desist from future violations.

Under the Animal Welfare Act, all common carriers who accept live animals for transportation are required to comply with federal transportation standards. They may not accept live animals for shipment unless the animals are properly crated, Rissler said.

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INTEREST RATES FOR USDA FARMERS HOME LOANS DROP

DALLAS, Jan. 11—Interest rates for loan programs of the U.S. Department of Agriculture's Farmers Home Administration will drop again on Jan. 17, Secretary of Agriculture John R. Block announced today.

"These lower interest rates, which apply to most loans made by the USDA farm credit agency, will be of great benefit to the rural economy and particularly for the nation's farmers who depend heavily on credit," Block said.

It is the third such reduction since October 1982 by the agency, which makes farm, home and other loans to rural residents and communities who cannot get credit from private lenders.

Block said the reductions are possible because of a general move toward lower interest rates across all sectors of the economy and because of lower costs of federal borrowing.

Interest rates for farm operating loans, used to finance annual costs of production, will drop from 11.5 to 10.25 percent.

Farm ownership rates will drop from 11.5 to 10.75 percent.

Interest rates for "limited resource" borrowers—those unable to afford the full interest rate—will drop from 8.5 percent for operating loans to 7.25 percent. Limited resource farm ownership loans go from 5.75 to 5.25 percent.

The interest rate for actual loss loans due to natural disasters remains at 8 percent for those farmers unable to get credit from private lenders. For farmers who can obtain natural disaster loans elsewhere but choose to deal with the Farmers Home Administration, the rate remains at 14.25 percent.

The interest rate for production loans to farmers who need financing above the actual loss and are unable to get credit elsewhere drops from 14 to 13 percent. The rate for real estate purposes remains at 13 percent.

Interest rates on long-term loans for soil and water convervation, grazing associations, irrigation and drainage and Indian land acquisition drop from the present 11.5 percent to 10.75 percent.

In housing, interest rates for single family homes drops from 11.5 to 10.75 percent except for borrowers who can afford rates charged by the Department of Housing and Urban Development. Their rates remain at 12 percent.

Rural rental housing loan rates go from 11.5 to 10.75 percent.

On Dec. 31, 1982, rates for water/sewer and rural community facility loans were lowered. The "market" interest rate for those communities able to afford it went from 10.625 to 9.750 percent, and the "intermediate" rate dropped from 7.875 to 7.375 percent. The poverty-line interest rate remained at 5 percent.

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USDA RECEIVES FUNDING TO REINSTATE SELECTED COMMODITY REPORTS

WASHINGTON, Jan. 12—The U.S. Department of Agriculture's Statistical Reporting Service has received federal funding that will allow

it to reinstate portions of its estimating program that were eliminated last March, according to the statistical agency's administrator William E. Kibler.

Beginning in February 1983, the agency will again issue monthly reports on dairy products, egg production by type, livestock slaughter, milk production, and end-of-month cold storage holdings. Data for these series had been published quarterly since the agency's estimating program was curtailed due to budget restraints in early 1982.

Federal funding has also been provided to release monthly data on catfish processing and sales. During the past few months, the catfish report was funded by private sources.

In addition, the annual mink report, also dropped last year, will be reinstated.

With the return of the monthly dairy products reports, the dry milk and whey products report, privately funded and issued monthly since September, will be discontinued after data for December 1982, are published on Feb. 4. Data on dry milk and whey will be included in the dairy products report.

The above reports will be released as follows in 1983:

Catfish—Feb. 18, March 18, April 20, May 20, June 20, July 20, Aug. 22, Sept. 19, Oct. 20, Nov. 18, Dec. 20.

Cold Storage—Feb. 22, March 21, April 22, May 20, June 21, July 21, Aug. 19, Sept. 22, Oct. 20, Nov. 22, Dec. 21.

Dairy Products—March 4, April 1, May 6, June 3, July 1, Aug. 4, Sept. 2, Oct. 3, Nov. 4, Dec. 2.

Eggs, Chickens and Turkeys—Feb. 23, March 23, April 22, May 23, June 23, July 22, Aug. 23, Sept. 22, Oct. 21, Nov. 22, Dec. 21.

Livestock Slaughter—Feb. 25, March 24, April 22, May 20, June 23, July 22, Aug. 19, Sept. 22, Oct. 21, Nov. 25, Dec. 22.

Milk Production—Feb. 15, March 15, April 15, May 13, June 14, July 18, Aug. 12, Sept. 14, Oct. 14, Nov. 15, Dec. 13.

Mink—July 8.

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NEW VACCINE FOR BLUETONGUE REPORTED CLOSER

WASHINGTON, Jan. 12—A safe vaccine against bluetongue, a costly disease in sheep and cattle, may be closer.

Geoffrey Letchworth, research veterinarian for the U.S. Department of Agriculture's Agricultural Research Service, said today the vaccine is expected to result from antibodies USDA researchers have made artificially to fight the disease.

In experiments, he said, the antibodies protected four sheep and 10 mice against disease caused by bluetongue virus BTV-type 17.

Letchworth and microbiologist Judith Appleton, who now is at Cornell University, conducted the preliminary experiments that resulted in the antibodies at the research agency's Plum Island Animal Disease Center, located 1-1/2 miles off the Long Island, N.Y., coast.

Scientists have long sought a new vaccine for bluetongue because the one now available to U.S. farmers is limited to sheep and can cause birth defects if given to pregnant ewes.

Bluetongue costs the U.S. livestock industry millions of dollars in losses, including $30 million annually in sales of cattle, semen and embryos to overseas markets that fear introduction of the disease.

Letchworth said studies at Plum Island had suggested that animals make their own antibodies in response to the vaccine as protection against bluetongue virus, raising the hope that the virus' protein coat could serve as a vaccine.

Subsequently, the researchers specifically designed monoclonal antibodies to attack a particular protein, or polypeptide, found in the outer coat of the bluetongue virus.

Appleton said the next step will be to clone the gene that codes for viral protein. Once this is achieved, she and Letchworth expect that safe and effective artificial vaccines can be made by genetic engineering.

In the Plum Island research, monoclonal antibodies against bluetongue virus protein were made by spleen cells from mice inoculated with bluetongue virus. These cells then were fused with white blood cells from mice having a form of cancer called myeloma.

The fused cells have the immortality of the cancer cells and the antibody-producing ability of the spleen cells, said Appleton. Moreover, they produce the desired antibody against protein.

Letchworth and Appleton, in one experiment, treated four of seven sheep with the monoclonal antibody. All seven then were injected with BTV-17. Only the untreated animals contracted bluetongue.

In another experiment, 10 mice were treated with the human-made antibody and injected with massive doses of BTV-17. All remained bluetongue-free while untreated mice died.

Bluetongue disease causes sickness, abortion, birth defects and death in sheep and deer. Cattle are easily infected and serve as carriers for the disease. The virus that causes bluetongue is present in some southern and western states.

Gnats spread the disease from carrier animals, mainly cattle, to other susceptible animals.

Bluetongue vaccine now in use, given to pregnant ewes, can cause the same birth defects as the virus itself, because the vaccine is prepared from live virus. Another limitation is that it protects against only one of four types of bluetongue virus present in this country.

A new vaccine, said Letchworth, can overcome these problems.

Independently, South African scientists have shown in a limited experiment that natural viral protein can be used in sheep as a vaccine for bluetongue, findings that agree with the USDA findings.

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